



Amy G. Rabinowitz  
*Counsel*

June 4, 2004

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

**Re: 2003 Service Quality Report; D.T.E. 04-22**

Dear Secretary Cottrell:

On behalf of Massachusetts Electric Company and Nantucket Electric Company (collectively "Company"), I am enclosing the Company's responses to the Department's First Set of Information Requests. Thank you very much for your time and attention to this filing.

Very truly yours,

Amy G. Rabinowitz

cc: Jody Stiefel, Hearing Officer (3 copies)  
Joseph Rogers, Office of the Attorney General (1 copy)

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DTE 1-1

Request:

Please provide the Massachusetts Electric Company's 2003 Distribution Revenues. Identify the source for this value.

Response:

Mass. Electric's distribution revenue for 2003 was \$533,993,441. The source of this amount is Mass. Electric's internal financial statements for the 12 months ending December 31, 2003, less the amount Mass. Electric had recorded during 2003 relating to its accrual of service quality penalties or incentives.

In Mass. Electric's March 1, 2004 filing in DTE 04-22, it included in the total distribution and transmission revenue that formed the basis for the amount attributable to the maximum penalty or incentive the adjustment it had recorded against distribution revenue to reflect the final service quality penalty relating to 2002 and adjustments recorded to-date to accrue the estimated service quality incentive relating to 2003.<sup>1</sup> However, to properly determine this threshold amount, any recorded accruals relating to service quality performance should be eliminated from total distribution and transmission revenue prior to the application of the 2% allocation. Therefore, Mass. Electric overstated its total distribution and transmission revenue and the threshold amount, as well as the resulting service quality incentive for 2003. The Company initially filed a net service quality incentive of \$3,780,180.

Mass. Electric also included service quality accruals during 2002 for estimated service quality penalties relating to 2002 in its March 3, 2003 filing in DTE 03-20. In this instance, since Mass. Electric was estimating a net penalty for 2002, it instead understated total distribution and transmission revenue and the threshold amount, as well as the resulting service quality penalty for 2002. The Company initially filed a net service quality penalty of \$4,888,363.

To correct for this error, the Company has recalculated the 2002 net service quality penalty and the 2003 net service quality incentive, attached to this response as Attachment 1 and Attachment 2, respectively. As a result of this correction, the 2002 net service quality penalty should be \$4,927,644 (an increase of \$39,281) and the 2003 net service quality incentive should be \$3,770,551 (a decrease of \$9,629). Over the two years, the net service penalty should be \$1,157,093, an increase of \$48,910 over the two years as reflected in the original filings.

Prepared by or under the supervision of: Theresa M. Burns

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<sup>1</sup> When the Company records an accrual for a service quality penalty (incentive) it charges (credits) distribution revenue and sets up a payable to (receivable from) customers.

DTE 1-2

Request:

Please provide the Massachusetts Electric Company's 2003 Transmission Revenues. Identify the source for this value.

Response:

Mass. Electric's transmission revenue for 2003 was \$136,326,942. The source of this amount is Mass. Electric's internal financial statements for the 12 months ending December 31, 2003.

Prepared by or under the supervision of: Theresa M. Burns

DTE 1-3

Request:

Please provide the Nantucket Electric Company's 2003 Distribution Revenues. Identify the source for this value.

Response:

Nantucket Electric's distribution revenue for 2003 was \$7,174,794. The source of this amount is Nantucket Electric's internal financial statements for the 12 months ending December 31, 2003.

Nantucket Electric did not record any accruals relating to service quality penalties or incentives as described in Mass. Electric's response to DTE 1-1, therefore no adjustment to its 2002 or 2003 results is required.

Prepared by or under the supervision of: Theresa M. Burns

DTE 1-4

Request:

Please provide the Nantucket Electric Company's 2003 Transmission Revenues. Identify the source for this value.

Response:

Nantucket Electric's transmission revenue for 2003 was \$486,574. The source of this amount is Nantucket Electric's internal financial statements for the 12 months ending December 31, 2003.

Prepared by or under the supervision of: Theresa M. Burns